An Investigation of the Effect of Retargeting on Willingness-to-Pay in Online Environments: An Abstract

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Abstract Thanks to the Internet and its affordable retargeting tools, nowadays marketers have an unprecedented ability to target consumers using their previous browsing history to display them their ads (Goldfarb 2014; Goldfarb and Tucker 2011). Contrary to the early enthusiasm among practitioners for retargeting advertisement, several insights signal that retargeting might not always worth its higher costs (Lambrecht and Tucker 2013). To the best of our knowledge, there are few scientific studies about the effectiveness of retargeting advertisement on consumers' behavior, in particular on their price perceptions.

In this study, we try to address the abovementioned gap by investigating the effect of retargeting advertisement on consumers' willingness-to-pay. Particularly, in Experiment 1, we compare the effect of price stimuli in the ads which consumers are exposed to at either the early or late stages of decision-making. On the basis of construal level theory (Trope et al. 2007), we suggest that exposing to an ad at the early stages of decision making (vs. late stages) have a bigger effect on consumers' willingness-to-pay. In Experiment 2, on the basis of assimilation-contrast theory (Sherif and Hovland 1961), our goal is to compare the moderating effects of the overlap between the advertised product and consumers' preferences at early and late search on the effects of price stimuli on willingness-to-pay. We suggest that the effect of the price in the ads on consumers' willingness-to-pay is directly related to the extent to which the advertised product fits consumers' preferences. This relationship is more profound in the later stages of decision-making than the early stages.

Keywords Retargeting · Online display ads · Behavioral pricing · Construal level theory · Assimilation-contrast theory

Reference Available Upon Request

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